

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 SS-15 SSO-00 NSC-10 NSCE-00 USIE-00

PA-03 PRS-01 INRE-00 CIAE-00 INR-10 NSAE-00 RSC-01

AID-20 OMB-01 OIC-04 H-02 L-03 CEA-02 CIEP-02 EB-11

STR-08 FRB-02 AGR-20 XMB-07 IO-12 RSR-01 /153 W
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O 061915 Z MAY 73

FM AMEMBASSY KINGSTON

TO DEPT OF TREASURY WASHDC IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 1805

LIMITED OFFICIAL USE SECTION 1 OF 3 KINGSTON 1465

SHUTO 1

TREASURY FOR WILLIAM WEBER

EMBARGO FOR RELEASE UNTIL NOON EDT TUESDAY MAY 8

E. O. 11652: N/A

TAGS: PFOR, EFIN, OVIP (SHULTZ, GEORGE P.)

SUBJ: SECRETARY SHULTZ IDB SPEECH

1. THE FOLLOWING IS TEXT OF THE SECRETARY' S SPEECH
TO BE DELIVERED AT THE 14 TH ANNUAL MEETING OF DIB
THE MORNING OF TUESDAY MAY 8 QUOTE.

MR. CHAIRMAN, FELLOW GOVERNORS AND DISTINGUISHED GUESTS:

IT IS A PLEASURE FOR ME TO BE ATTENDING THE ANNUAL
MEETING OF THE INTER- AMERICAN DEVELOPMENT BANK FOR THE FIRST
TIME. IT IS THE FIRST OPPORTUNITY I HAVE HAD TO WORK WITH
MANY OF MY FELLOW GOVERNORS. I HAVE ENJOYED THIS OPPORTUNITY
AND HAVE FOUND THE EXCHANGE OF VIEWS MOST USEFUL.

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I WISH TO EXPRESS TO THE PEOPLE OF JAMAICA THE SINCERE APPRE-
CIATION OF THE U. S. DELEGATION FOR THE GRACIOUS HOSPITALITY
THEY HAVE EXTENDED TO US. PRESIDENT NIXON HAS ASKED ME TO
CONVEY HIS WARMEST PERSONAL REGARDS TO THIS MEETING AND HIS

WISHES FOR ITS SUCCESS.

U. S. PARTICIPATION IN THE INTER- AMERICAN DEVELOPMENT BANK REQUIRES THE AGREEMENT AND COOPERATION OF BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE U. S. GOVERNMENT. THUS IT IS MOST FITTING THAT THE U. S. GOVERNMENT SHOWS SPECIAL INTEREST IN (1) RETALIATION AND SAFEGUARD PROVISIONS, (2) RELATION TRADE NEGOTIATIONS TO PROGRESS IN MONETARY FIELD, AND (3) EFFECTS OF DELAY IN OBTAINING US LEGISLATIVE AUTHORITY ON TRADE NEGOTIATIONS TIMETABLE. AUSTRALIANS EMPHASIZED IMPORTANCE OF TRADE NEGOTIATIONS COVERING BROAD FIELD OF TARIFFS, NTBS AND SUBSIDIES. IN COURSE DISCUSSION DO NOT ALLUDE TO NEW GOA PREFERENCE OF SYSTEM FOR LDCS TO BE REVEALED SOON. EMBASSY WILL INQUIRE AND REPORT ON THIS PLAN.

5. MAY 5 MONETARY AFFAIRS WORKING SESSION, CHAIRED BY TREASURER CREAN. MAIN AUSTRALIAN CONCERNS -
(A) WORKING OF OBJECTIVE INDICATORS AND GOA RESISTANCE TO RIGID OR "AUTOMATIC" OBLIGATIONS,
(B) PROBABILITY THAT MAJORITY OF ADJUSTMENTS UNDER US PROPOSALS WOULD BE BY SMALL NATIONS - THE "EQUALITY" ISSUE,
(C) WHETHER ANY SUBSTANTIAL PROGRESS IN MONETARY FIELD FEASIBLE UNTIL US BALANCE OF PAYMENTS EQUILIBRIUM SUBSTANTIALLY RESTORED (IN THIS CONNECTION CREAN EXPRESSED PERSONAL DOUBT US COULD HOLD PRESENT DOLLAR RATE WITHOUT CONTINUING CONTROLS ON CAPITAL OUT-FLOW).
(D) WARWICK SMITH VIEW THAT SYSTEM FLOATING OR FREQUENTLY ADJUSTED RATES SERIOUSLY LIMITS ABILITY NEGOTIATE TARIFF AGREEMENTS.
GOA GENERALLY PESSIMISTIC OVER RECENT PROGRESS IN C-20 AND CONCERNED THAT NAIROBI C-20 MINISTERS MEETING MAY PROVE PREMATURE.
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6. AT MAY 5 CREAN DINNER, GOA PRESSED DISCUSSION OF SUCCESSOR TO SCHWEITZER AT IMF AND REVIEWED NOMINEES WITH VOLCKER.

7. VOLCKER PARTY DEPARTED CANBERRA MORNING MAY 6 FOR SYDNEY WHERE VOLCKER WILL ADDRESS MAY 7 AMERICAN CHAMBER OF COMMERCE BREAKFAST AND HAVE FURTHER SESSIONS WITH RESERVE BANK.

8. BRIEF SUMMARIES OF DISCUSSION AT INDIVIDUAL MEETINGS BEING FORWARDED MACKOUR, TREASURY, FOR CLEARANCE WITH VOLCKER AND INTER- AGENCY DISTRIBUTION.

RICE

CONFID2 (NCNA). THE MISSION COMPRISES GOC OFFICIALS DRAWN FROM THE MINISTRIES OF ENERGY, MINES AND RESOURCES AND INDUSTRY, TRADE AND COMMERCE, AS WELL AS OIL COMPANY EXECUTIVES INCLUDING THE CANADIAN BRANCHES OF GULF AND MOBIL. THE MISSION WAS SCHEDULED TO SPEND TWO WEEKS IN CHINA, WITH AN ITINERARY INCLUDING VISITS TO OIL FIELDS IN TACHING AND TAKU (HK A-94). THE CANADIAN MISSION RECIPROCATES THE CHINESE PETROLEUM MISSION THAT VISITED CANADA LAST SEPT. (1972 ER 19, HK A-271). UNCLASSIFIED

11. COMMUNICATIONS: CABLE LINK WITH JAPAN
AYHE JAPANESE MINISTER OF POSTS AND TELECOMMUNICATIONS, CHUJI KUNO, HIS WIFE AND TWELVE OTHERS ARRIVED IN PEKING APRIL 29 " ON A FRIENDLY VISIT TO CHINA" AT THE INVITATION OF CHUNG FU- HSIANG, DIRECTOR OF THE PRC' S TELECOMMUNICATIONS ADMINISTRATION (NCNA). IN HONG KONG THE DELEGATION HAD SAID IT WOULD HOLD TALKS ON " A PROPOSED UNDERSEA CABLE LINK BETWEEN SHANGHAI AND NAGASAKI" (SOUTH CHINA MORNING POST, APRIL 29) BEGIN LIMITED OFFICIAL USE: THE GENERAL OUTLINE OF AN AGREEMENT ON A CABLE LINK HAD ALREADY BEEN ANNOUNCED (ER 7, HK 3469) AND A JAPANESE CONSUL TOLD US MAY 1 THAT NO DIFFICULTIES ARE ANTICIPATED IN REACHING AGREEMENT ON THE REMAINING DETAILS AND SIGNING AN AGREEMENT DURING THE VISIT. END LIMITED OFFICIAL USE. UNCLASSIFIED.

12. VISITS BY BELGIAN AND OTHER TRADE DELEGATIONS

A BELGIAN DELEGATION LED BY SECRETARY OF STATE FOR FOREIGN TRADE ANDRE KEMPINAIRE LEFT PEKING FOR CANTON TO ATTEND THE SPRING EXPORT COMMODITIES FAIR ON APRIL 21 (BRUSSELS 964). DURING THEIR STAY IN THE CAPITAL THE DELEGATION MET WITH PRC FOREIGN TRADE MINISTER PAI HSIANG- KUO AND OTHER CHINESE OFFICIALS. ACCORDING TO A JOINT COMMUNIQUE ISSUED ON APRIL 23, THE TWO SIDES REVIEWED THE PRESENT STATE OF THEIR BILATERAL TRADE AND AGREED TO ESTABLISH A JOINT ECONOMIC COMMITTEE. THE COMMITTEE WILL MEET YEARLY TO CONSIDER WAYS TO PROMOTE ECONOMIC AND TRADE RELATIONS. THEY ALSO AGREED TO EXCHANGE VISITS BY TRADE AND TECHNICAL TEAMS AND HOLD TRADE EXHIBITIONS IN EACH OTHER' S COUNTRY (NCNA APRIL 24). THE KEMPINAIRE GROUP FOLLOWED AN EARLIER VISIT OF A 15- MEMBER BELGIAN ECONOMIC MISSION LED BY WILLY MONFILS, GENERAL INSPECTOR OF THE OFFICE OF FOREIGN
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TRADE WHICH ARRIVED IN PEKING ON APRIL 10 (NCNA).

SINCE THE OPENING OF THE CANTON TRADE FAIR, THE PRC HAS PLAYED HOST TO MINISTERIAL LEVEL TRADE DELEGATIONS FROM SOMALI, GHANA, SUDAN, ROMANIA, AND THE GERMAN DEMOCRATIC REPUBLIC. IN ALL THE CASES THE DELEGATIONS MET WITH PRC FOREIGN TRADE MINISTER

PAI HSIANG- KUO IN PEKING AND TOURED THE CANTON TRADE FAIR. IN ADDITION THE SOMALIS MET WITH PREMIER CHOU EN- LAI. ALSO OF INTEREST WAS A VISIT TO THE FAIR BY A PHILIPPINE TRADE MISSION LED BY THE PRESIDENT OF THE PHILIPPINE CHAMBER OF COMMERCE (NCNA, APRIL 29). A FOLLOW- UP TO THE CHAMBER' S MID-1971 VISIT, THE MISSION PLANS A THREE WEEK SURVEY TRIP WHICH HAS FULL SUPPORT ODATHE GOP (SOUTH CHINA MORNING POST, APRIL 25).
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13. CHINA TRADE PROMOTION ABROAD: MOROCCO, ICELAND, AND THE FRG

WHILE INTEREST WITHIN CHINA CENTERED ON THE TRADE FAIR IN CANTON, CHINESE OODE OFFICIALS WERE ALSO ACTIVE IN OTHER PARTS OF THE WORLD. ON APRIL 27, THE CHINESE OPENED AN EXHIBITION OF CHINESE HANDICRAFTS AND LIGHT INDUSTRIAL PRODUCTS IN REYKJAVIK, ICELAND. THE EXHIBITION WAS SPONSORED BY THE CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE (CCPIT) AND FEATURED OVER 1,500 ITEMS. OPENING CEREMONIES FOR THE EXHIBITION WERE ATTENDED BY ICELAND' S PRESIDENT AND PRIME MINISTER (NCNA).

ON THE SAME DATE THE CHINESE OPENED A PAVILION AT THE 25 TH CASABLANCA INTERNATIONAL TRADE FAIR. THIS IS THE FIRST TIME CHINA HAS PARTICIPATED IN THE FAIR SINCE THE CULTURAL REVOLUTION.

MEANWHILE, A DELEGATION FROM CCPIT WAS PRESENT FOR THE FIRST TIME AT THE OPENING OF THE 275 TH HANOVER INTERNATIONAL FAIR IN WEST GERMANY. THE DELEGATION, LED BY CCPIT VICE CHAIRMAN LI HSI- FU, ARRIVED IN HANOVER AFTER ATTENDING THE MILAN INTERNATIONAL FAIR (ER 8). AT THE FAIR THE CHINESE HELD TALKS ON STAGING A GERMAN INDUSTRIAL FAIR IN PEKING IN 1975. FOL- LOWING THE FAIR, LI' S GROUP WILL VISIT INDUSTRIAL ENTERPRISES IN VARIOUS PARTS OF THE FRG (NCNA APRIL 27). UNCLASSIFIED

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14. RECENT REPORTS ON ECONOMIC TOPICS

HK A-106 HOG BRISTLES, PRC BRUSHES AND OPPORTUNITY FOR US MACHINERY SALES
HK A-110 COMMUNICATIONS LINKS BETWEEN HONG KONG AND CHINA
HK A-118 COMMENTS BY US BUSINESSMEN ON THE SPRING 1973 CANTON TRADE FAIR.
HK 3967 REPORT PREMIER CHOU ATTENDED AGRICULTURAL CONFERENCE IN MARCH
HK 4171 PRC ALFICULTURE PROBLEMS PROMPT GRASSROOTS POWER SHIFT
HK 4176 CHINA' S FOREIGN AFFAIRS IN THE PAST HALF- YEAR
OSBORN

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ACTION ARA-17

INFO OCT-01 ADP-00 SS-15 SSO-00 NSC-10 NSCE-00 USIE-00

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AID-20 OMB-01 OIC-04 H-02 L-03 CEA-02 CIEP-02 EB-11

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O 061915 Z MAY 73

FM AMEMBASSY KINGSTON

TO DEPT OF TREASURY WASHDC IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 1806

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SHUTO 1

TREASURY FOR WILLIAM WEBER

ONE MUST NOT CONFUSE A MORE FLEXIBLE SYSTEM WITH
DISRUPTIVE LARGE- SCALE CHANGES IN EXCHANGE RATES WHICH
WE HAVE EXPERIENCED IN THE PAST TWO YEARS. THE RECENT
CHANGES WERE NEEDED BECAUSE THE OLD SYSTEM WAS NOT FLEXIBLE.
IT DID NOT PROVIDE FOR ADJUSTMENT TO THE MAJOR STRUCTURAL
CHANGES IN THE WORLD ECONOMY WHICH HAD EVOLVED OVER MANY
YEARS, AND A MAJOR REALIGNMENT WAS REQUIRED.

ONE CENTRAL ELEMENT OF A MORE STABLE MONETARY SYSTEM
IS, IN OUR VIEW, THE USE OF SOME KIND OF OBJECTIVE INDICATOR
TO SIGNAL THE NEED FOR ACTION TO CORRECT AN EMERGING DIS-
EQUILIBRIUM-- TO ENSURE THAT APPROPRIATE ADJUSTMENT DOES
TAKE PLACE AND IS CONSISTENT WITH OPEN AND COOPERATIVE WORLD
ECONOMIC RELATIONS. INTERNATIONALLY AGREED RULES ARE VERY
IMPORTANT IN AN ECONOMIC SYSTEM OF MORE EQUALLY DISTRIBUTED
POWER WHERE THE POSSIBILITY OF ECONOMIC FRICTION AND DISHARMONY
IS INCREASED.

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THE USE OF OBJECTIVE INDICATORS WHICH THE UNITED STATES
HAS PROPOSED WOULD PLACE UPON ALL COUNTRIES, LARGE AND SMALL,
RICH AND POOR, EQUAL OBLIGATIONS TO TAKE ADJUSTMENT ACTIONS

WHEN DISPROPORTIONATELY LARGE IMBALANCES WERE EXPERIENCED--
UNLESS IT ONSTRUCTION (ITEM 2)
COUPLED WITH A CALL FOR GREATER OUTPUT FROM SMALL PLANTS,
ESPECIALLY, IN CHEMICAL FERTILIZERS (ITEM 3). ONE ASPECT OF
THE RESPONSE IS A CALL TO STEP UP THE PACE OF PRODUCTION,
ESPECIALLY IN AGRICULTURE, WITHOUT WAITING ARRIVAL
OF MODERN
INPUTS (ITEM 4); ANOTHER IS SENDING YOUTH TO THE COUNTRYSIDE,
PARTLY AS A RESULT OF A BRAKE ON URBAN EMPLOYMENT EXPANSION
(WR 17, HK 4009); STILL ANOTHER IS LABOR EMULATION DRIVES,
PERHAPS BETTER ORGANIZED NOW THAT LABOR UNIONS ARE BEING RE-
ESTABLISHED (ITEM 5).

ON THE FOREIGN SIDE, THE MAJOR NEWS CONTINUES TO BE HIGH PRICES
AT THE CANTON TRADE FAIR, GROWING COMPLAINTS AMONG FOREIGN
BUSINESSMEN, AND THE BEGINNINGS OF A SOMEWHAT BEARISH
ASSESSMENT OF THE FAIR (ITEM 6). THE PRC HAS SIGNED A TRADE
AGREEMENT WITH MEXICO (ITEM 7) AND, FOR THE FIRST TIME SINCE
THE CULTURAL REVOLUTION, RENEWED ITS SCIENTIFIC AGREEMENTS WITH
CZECHSLOVAKIA AND BULGARIA (ITEM 8). ALTHOUGH THE AMOUNT
TO BE DELIVERED IN 1973 REMAINS UNCLEAR, THE PRC HAS AGREED TO
EXPORT CRUDE OIL TO JAPAN, AND PEKING IS HOSTING A CANADIAN
OIL MISSION (ITEM 10). THE PRC IS ALSO DISCUSSING CIVIL AVIATION
MATTERS WITH SEVERAL COUNTRIES, BUT THINGS APPEAR TO BE GOING
SLOWLY WITH JAPAN (ITEM 9).

2. SIGNS OF STRINGENCY

SOME SIGNS OF ECONOMIC STRINGENCY HAVE APPEARED. IN BOTH ANHWEI
AND KWANGTUNG, THE CALL HAS GONE OUT TO CONCENTRATE FORCES AND
FIGHT BATTLES OF ANNIHILATION ON THE CAPITAL CONSTRUCTION FRONT.
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ONE ARTICLE CALLED FOR CADRE TO " SHORTEN THE FRONTLINE OF
CAPITAL CONSTRUCTION ... CLASSIFY PRESENT PROJECTS AND DETER-
MINE THEIR ORDER OF PRIORITY" (ANHWEI RS, APRIL 15). TRANS-
LATED INTO WESTERN ECONOMIC TERMS, THESE PHRASES MEAN THE OBJECT
OF THE EXERCISE IS TO CONCENTRATE ON AND " ENSURE THE COMPLETION
OF KEY PROJECTS" (KWANGTUNG RS, APRIL 16).

THE ANHWEI PROVINCIAL REVOLUTIONARY COMMITTEE PLENUM IN EARLY
APRIL HEARD A WORK REPORT COVERING, AMONG OTHER THINGS,
QUICKENING THE PACE OF SOCIALIST CONSTRUCTION. THE PLENUM
EMPHASIZED THE " RACE AGAINST THE TIME" AND THE NEED TO " WORK
HARDER THAN EVER" AND ACCELERATE THE TEMPO. YET IT ALSO
STRESSED THE NECESSITY FOR OVERALL PLANNING AND IT SAID IT WAS
" NECESSARY TO ... CONCENTRATE THE MAIN FORCE ON MAJOR PROJECTS"
IN CAPITAL CONSTRUCTION.

DESPITE THE EXPRESSIONS OF CONCERN ABOUT DROUGHT EARLIER AND
ABOUT FLOODING NOW, THE MEDIA HAVE ALSO CONTINUED TO CARRY AN

ANALOGOUS MESSAGE IN EVEN THE IMPORTANT FIELD OF WATER CONSERVANCY-- COMPLETE AND IMPROVE RATHER THAN INITIATE, CONCENTRATE ON SMALL RATHER THAN LARGE PROJECTS (COMPARE ER 3, HK A-39). IN THE EQUALLY IMPORTANT FIELD OF CHEMICAL FERTILIZERS, THE MAJOR DIRECTION FOR FUTURE EFFORTS, ACCORDING TO AN APRIL 27 NCNA ARTICLE ON SMALL PLANTS, IS TO " CONSOLIDATE AND IMPROVE" EXISTING PLANTS RATHER THAN BUILD NEW ONES (ITEM 4). UNCLASSIFIED

3. FERTILIZER NEEDS UP, MORE SMALL PLANT PRODUCTION NEEDED

PEOPLE'S DAILY ON APRIL 30 ACKNOWLEDGED INCREASING CHEMICAL FERTILIZER REQUIREMENTS IN AN NCNA REPORTER'S ARTICLE THAT EMPHASIZES " WALKING ON TWO LEGS" AND THE IMPORTANT ROLE OF THE COUNTRY'S 1400 SMALL PLANTS THAT PRODUCE 60 PERCENT OF THE INDUSTRY'S TOTAL OUTPUT. DESCRIBING THE INDUSTRY'S RAPID DEVELOPMENT AS A " FRUITFUL RESULT" OF THE CULTURAL REVOLUTION, THE ARTICLE SAYS THAT AFTER LIU SHAO- CHI WAS CRITICIZED, THE GENERAL LINE OF SOCIALIST CONSTRUCTION AND WALKING ON TWO LEGS WAS PUT INTO PRACTICE AND THAT LED TO " VIGOROUS DEVELOPMENT" OF THE INDUSTRY IN VARIOUS LOCALITIES. IT CONFIRMS THAT FROM 1970 TO 1972 THE INCREASE IN PRODUCTION AVERAGED 3.4 MILLION METRIC TONS (MT) PER YEAR, A RATE MORE THAN 7 TIMES HIGHER THAN THE AVERAGE ANNUAL RATE OF INCREASE DURING THE 20 YEARS
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UP TO 1969. (THESE FIGURES HAVE THE VIRTUE OF BEING REASONABLY CONSISTENT WITH A CLAIMED OUTPUT OF 14 MILLION MT IN 1970 (CHOU TO EDGAR SNOW), BUT IT SEEMS POSSIBLE THAT ALL THE FIGURES REFER TO SUPPLY RATHER THAN PRODUCTION AND THUS INCLUDE IMPORTS OF OVER 4 MILLION MT IN EACH OF THE PAST FIVE YEARS.)

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ACTION ARA-17

INFO OCT-01 ADP-00 SS-15 SSO-00 NSC-10 NSCE-00 USIE-00

PA-03 PRS-01 INRE-00 CIAE-00 INR-10 NSAE-00 RSC-01

AID-20 OIC-04 H-02 L-03 CEA-02 CIEP-02 EB-11 STR-08

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O 061915 Z MAY 73
FM AMEMBASSY KINGSTON
TO DEPT OF TREASURY WASHDC IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 1807

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SHUTO 1

TREASURY FOR WILLIAM WEBER

IT IS OBVIOUS THAT IT IS THE OVERALL ECONOMIC AND FINANCIAL SITUATION OF THE UNITED STATES THAT DETERMINES OUR ABILITY TO SUPPORT DEVELOPMENT FINANCE INSTITUTIONS. THE SAME IS TRUE OF ALL NATIONS. MY COUNTRY AS WELL AS YOURS MUST TAKE BUDGETARY PRIORITIES AND BALANCE OF PAYMENTS CONSIDERATIONS INTO ACCOUNT. BUT PRIORITIES IN MY COUNTRY ARE REVIEWED INDEPENDENTLY BOTH BY THE EXECUTIVE AND CONGRESS, SO THAT ANY FUNDING REQUESTS MUST WITHSTAND A DOUBLE SCRUTINY.

WE HAVE BEEN RESTRAINING OUR TOTAL BUDGET AS A MEANS OF COUNTERING DOMESTIC INFLATIONARY PRESSURES. BUDGETARY ALLOCATIONS FOR A NUMBER OF DOMESTIC PROGRAMS HAVE BEEN SUBSTANTIALLY CUT BACK FROM EARLIER PROJECTIONS. THE DEMANDS FOR MORE DOMESTIC SPENDING ARE VAST. WE NEED TO CONTROL POLLUTION. WE NEED TO REBUILD DECAYING CITIES. WE NEED TO ASSIST POOR AMERICAN CITIZENS, WHOSE NUMBER IS STILL TOO LARGE. WE ARE NOT ABLE TO MEET ALL THESE PRESSING DEMANDS.

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IT IS ALSO OBVIOUS, IN THE LIGHT OF RECURRENT ATTACKS ON THE DOLLAR IN WORLD MARKETS, THAT WE MUST URGENTLY RESTRAIN OVERSEAS SPENDING TO HELP DEAL WITH OUR BALANCES OF PAYMENTS PROBLEM.

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TO GREATLY EXPAND THE BUILDING OF SMALL PLANTS. UNCLASSIFIED

4. STEP UP THE PACE* HOW? RELY ON MAN

TO ACHIEVE AGRICULTURAL MODERNIZATION, EVEN MORE FARM MACHINERY AND CHEMICAL FERTILIZER ARE NEEDED, WROTE CHIANG HAN IN REF FLAG NO. 4. THE QUESTION IS, THE ARTICLE CONTINUED, HOW CAN IT BE DONE FASTER, AND THE ANSWER IS, IT WILL NEVER HAPPEN IF YOU "JUST SIT AND WAIT" FOR THOSE INPUTS TO ARRIVE. IN FACT, THE REQUIREMENTS FOR CHEMICAL FERTILIZERS ARE INCREASING AS FARM PRODUCTION IS BEING PROMOTED IN ALL PARTS OF THE PRC (NCNA DOMESTIC RS APRIL 27). FACED WITH THESE SHORTFALLS THE RESPONSE IS TWO- FOLD; FIRST, ATTEMPTS ARE BEING MADE TO EXPAND CHEMICAL FERTILIZER PRODUCTION (SEE ITEM 3) AND PERHAPS

IMPORTS, AND SECOND, THE CALL IS OUT TO QUICKEN THE PACE OF CONSTRUCTION. ANOTHER REF FLAG ARTICLE WARNS AGAINST SETTING PRODUCTION PLANS TOO LOW, THEREBY DULLING THE ENTHUSIASM OF THE WORKERS. THE WORKERS' COMMENT GROUP AT NANKING'S "OCTOBER" CEMENT WORKS SAID SUCH AN ATTITUDE WAS PASSIVE AND CONSERVATIVE AND RESULTED FROM "CONFINING ONE'S VIEW TO THINGS AND NOT SEEING THE MAN." THIS WAS NOTWHAT MAO MEANT, SAID THE ARTICLE, WHEN HE SPOKE OF "PROVIDING ENOUGH LEEWAY." A PEOPLE'S DAILY ARTICLE BROADCAST APRIL 23 ALSO STRESSED THE NEED FOR GREATER SPEED. STATE PLANS, IT SAID, ARE FORMULATED ON THE BASIS OF "BUILDING SOCIALISM WITH HIGH SPEED." BY TRYING ONE'S BEST TO "WORK AGAINST TIME AND ACCELERATE SPEED," IT IS "ENTIRELY POSSIBLE" TO FULFILL AND OVERFULFILL THEM.

THREE CENTRAL THEMES RUN THROUGH THE ITEMS: THE CALL TO SPEED UP THE PACE, THE ATTEMPT TO STIR UP ENTHUSIASM BY CALLING THE PRESENT SITUATION "EXCELLENT" AND FOCUSING ON HIGH FUTURE GOALS, AND THE RELIANCE ON MAN-- PERHAPS PARTLY AS A RESULT OF SHORTFALLS IN OTHER INPUTS. UNCLASSIFIED

5. TRADE UNIONS LARGELY PARTY ARM BUT HAVE SOME ECONOMIC FUNCTIONS

SEVERAL MORE PROVINCES AND MUNICIPALITIES HAVE BEGUN THE EFFORT TO CONSOLIDATE AND ESTABLISH TRADE UNIONS, AND OTHERS WILL NO DOUBT SOON JOIN THE LIST. LARGELY INTENDED AS A POLITICAL TOOL TO FURTHER ORGANIZE PEOPLE FOR THE CURRENT
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CAMPAIGNS, MOST NOTABLY CRITICISM AND RECTIFICATION, THE TRADE UNIONS DO, HOWEVER, HAVE SOME ECONOMIC FUNCTIONS EVEN THOUGH THEY RUN A POOR SECOND TO THE POLITICAL ONES. THEY ARE EXPECTED TO "BE CONCERNED ABOUT THE WELL-BEING OF THE MASSES, DO A GOOD JOB IN PRODUCTION SAFETY AND PROTECTION OF LABORERS, AND PAY ATTENTION TO THE EDUCATION OF WORKERS IN CULTURE AND TECHNOLOGY." THEIR FUNCTIONS ALSO INCLUDE PROMOTING PRODUCTION AND OTHER WORK AND PREPAREDNESS AGAINST WAR (SHANGHAI, WEN HUI PAO, LIBERATION DAILY EDITORIAL, RS APRIL 29). BY STRENGTHENING "POLITICAL-IDEOLOGICAL WORK" AND STRESSING THE "DIALECTICAL RELATIONSHIP" ONE PEKING COMPANY WAS ABLE TO CORRECT THE "TENDENCY TO IGNORE WORK QUALITY" ON CERTAIN WORK SHIFTS. EFFORTS TO AROUSE WORK ENTHUSIASM THERE INCLUDED SUCH TRADITIONAL UNION ACTIVITIES AS HELPING TO RUN MESS HALLS, NURSERIES, CLINICS, BARBER SHOPS AND THE LIKE, SETTING UP LIBRARIES AND AFTER-HOURS EDUCATIONAL CLASSES, AND ORGANIZING SPORTS ACTIVITIES (NCNA DOMESTIC RS APRIL 19). THESE ACTIVITIES ARE PROBABLY NO MORE NOR LESS EFFECTIVE THAN THEY WOULD BE IN THE WEST.

THE ACFTU AND ITS CONSTITUENT TRADE UNIONS WERE DESTROYED

EARLY IN THE CULTURAL REVOLUTION AT LEAST PARTLY BECAUSE
LIN SHAO- CHI AND HIS CLOSE COLLABORATOR ACFTU HEAD LIQTNING- I
ENJOYED CONSIDERABLE INFLUENCE IN THEM. IT IS OBVIOUSLY
INTENDED NOW THAT THE RECONSTITUTED UNIONS SHOULD PLAY THEIR
ROLE AS " GOOD ASSISTANTS OF THE PARTY" AND BE FULLY SUBSERVIENT
TO IT. THE SHANGHAI EDITORIAL CITED ABOVE DOES, HOWEVER,
MAKE IT CLEAR THAT PARTY COMMITTEES ARE NOT REPEAT NOT BEING
ASKED " TO TAKE EVERYTHING INTO THEIR OWN HANDS," I. E. THE UNION
SHOULD HAVE SOME SEMBLANCE OF SEPARATENESS AND SHOULD PICK
UP ON DIRECTIVES FROM THE CENTER WITHOUT HAVING TO CHECK EVERY-
THING WITH THE LOCAL PARTY COMMITTEE FIRST. UNCLASSINPED

6. THE CANTON FAIR - PRICES CONTINUE HIGH

THE SPRING 1973 CANTON TRADE FAIR ENTERED ITS THIRD WEEK
AMID GROWING COMPLAINTS OVER HIGH PRICES AND UNAVAILABILITY
OF MERCHANDISE (HONG KONG A-118). IN THE FACE OF PRICE INCREASES
OF FROM 40 PERCENT ON FOODSTUFFS AND LIGHT MANUFACTURES TO
1,000 PERCENT ON ANTIQUES AND ART AND CRAFTS MANY TRADERS HAVE
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ALREADY PACKED UP AND LEFT CANTON WITHOUT DOING ANY BUSINESS,
AND OTHERS HAVE MADE ONLY TOKEN PURCHASES IN ORDER TO REMAIN
IN THE CHINA MARKET. TRADERS ALSO COMPLAINED ABOUT CHINESE
UNWILLINGNESS TO ACCOMMODATE PACKAGING AND LABELING REQUESTS
AND THEIR " TAKE IT OR LEAVE IT" ATTITUDE IN MANY BARGAINING
SESSIONS. ALTHOUGH IT IS TOO EARLY FOR A FULL ASSESSMENT OF
EITHER THE VOLUME OR VALUE OF BUSINESS AT THE FAIR, IT IS
WORTH NOTING THAT WE HAVE HEARD OF NO LARGE DEALS NOR OF A
SIGNIFICANTLY INCREASED VOLUME OF SMALL ONES.

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Message Attributes

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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973KINGST01465
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730560/abqcefqw.tel
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Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 08 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2001 by boyleja>; APPROVED <24-Aug-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 971212
Subject: SECRETARY SHULTZ IDB SPEECH
TAGS: EFIN, OVIP, PFOR, (SHULTZ, GEROGE P)
To: DEPT OF TREASURY INFO STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005